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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 75

ARO MANUFACTURING COMPANY, INC., et al, *Petitioners,*

v.

CONVERTIBLE TOP REPLACEMENT COMPANY, INC., *Respondent.*

BRIEF FOR THE RESPONDENT

STATEMENT

Respondent has noted, in reviewing Petitioner's brief, factual allegations with which Respondent disagrees; and a number of factual omissions which, it is submitted, are important to a proper evaluation of the decision below. In order to avoid repetition of these factual matters in a separate Statement, Respondent's analysis of the record and of the decision below will be set forth, with proper references to the record in the Argument.

COUNTERSTATEMENT OF QUESTIONS PRESENTED

Respondent submits that the questions before this Court should be stated as follows:

1. Whether the Court of Appeals' latest decision in this matter, reported at 312 F. 2d 52, was correct in construing this Court's earlier *Aro* decision, 365 U.S. 336 (1961), as not absolving Aro for unauthorized top replacements or other repairs to unlicensed Ford cars.

2. Whether the Court of Appeals below was correct in holding that unauthorized repair to an unlicensed infringing Ford car was an act of direct infringement "left intact" when Congress enacted 35 U.S.C. § 271 (a); and whether Aro was such a direct infringer when it repaired unlicensed Ford cars in the Aro trim shop.

3. Whether the Court of Appeals' decision below, holding Aro to be a contributory infringer when Aro sold specially cut tops meeting all the tests of 35 U.S.C. § 271(c), for use by direct infringers other than Aro in the repair of unlicensed Ford cars, was consistent with the mandate in this Court's earlier *Aro* decision.

4. Whether the distinction between licensed General Motors cars and unlicensed Ford cars expressly noted in Mr. Justice Brennan's concurring opinion in *Aro*, 365 U.S. at p. 368, was a distinction intended by the majority opinion as well, when the majority opinion speaks throughout of licensed structures only.

5. Whether the Court of Appeals was correct in holding that Aro was not entitled to an antitrust treble damage award when Aro never pleaded any alleged antitrust cause of action, and never demanded any

relief under the antitrust laws; when, at the time the *Aro* case was earlier heard here, the Antitrust Division of the Department of Justice expressly refused to join in Aro's misuse and antitrust allegations; when all of Respondent's activities in this matter were within the sanction of 35 U.S.C. § 271(d), and in accord with prior decisions of this Court; and when every opinion of this Court in the earlier *Aro* decision rejected Aro's allegations of misuse.

SUMMARY OF ARGUMENT

I. The Mackie-Duluk patent in suit No. 2,569,724, discloses a pioneer invention in the automobile convertible top field characterized by a fabric top of entirely new shape fastened to a convertible automobile in an entirely new manner.

A. For some fifty years prior to Mackie-Duluk, the industry recognized that there were a number of major problems inherent in convertible top structures. Although the best engineers in the automobile industry worked on these problems, no solution was forthcoming until Mackie-Duluk. Mackie-Duluk solved all these problems. The trial Court termed Mackie-Duluk's solution "a substantial and enlightened step, filling a long-felt want".

B. The witnesses for both sides were unanimous that Mackie-Duluk's top shape and fastening was the thing which brought success out of failure. One witness, a retired chief trim engineer, with fifty years experience in the field, termed the Mackie-Duluk shape and fastening a "revolutionary idea".

II. The issue now before this Court is narrow, and involves Aro's liability as an infringer and contributory infringer in respect to Aro's operations on 1952-1954 Ford Motor Co. cars.

A. There is no issue as to the validity of the patent in suit. The patent has been held valid throughout this litigation; and when the case earlier came to this Court, the Court noted (365 U.S. at 338) that "Validity of the patent is not challenged in this Court".

B. The issue of infringement treated by the Court of Appeals decision below was limited to Aro's acts on unlicensed Ford cars. Aro asserts that it is the largest maker of convertible tops in the world; and, at the time of original trial, Aro manufactured some one hundred forty different top models. The issue now before the Court concerns only two of these one hundred forty models, specially designed by Aro for installation on unlicensed 1952-1954 Ford Motor Co. cars, and fitting no other cars.

C. Aro promoted the sale and induced installation of their special Mackie-Duluk type Ford fabrics by advertising, by demonstration clinics, and by instructions; and installed said special fabrics on infringing Ford cars in Aro's own trim shop.

D. Aro's counsel originally considered that Aro did infringe the Mackie-Duluk patent by their acts of unlicensed sale and installation, and sought a license under the patent. Aro aborted the license negotiations, however, when a later re-

design of their replacement tops was alleged, by Aro's counsel, to avoid the Mackie-Duluk claims.

III. The parties and Courts have, throughout this litigation, recognized a basic distinction between Aro's acts with respect to licensed G.M. cars, and Aro's acts with respect to unlicensed infringing Ford Motor Co. cars.

A. When this case was first tried, the Trial Court expressly ruled, on two separate occasions, that since Ford Motor Co. cars were unlicensed, Aro was, under settled law, a direct infringer if Aro even repaired such cars.

B. When this case was first appealed by Aro, Aro urged that the trial court had erred only insofar as Aro's activities were held to constitute a reconstruction of the patented combination on licensed G.M. cars. The separate question of Ford car infringement was not stressed.

C. The Court of Appeals' latest decision notes that its earlier decision was intended to apply only to the question of reconstruction on licensed G.M. cars, since this was the only question which was then stressed by Aro.

D. After the first Court of Appeals' decision, the Justice Department, appearing before this Court as *amicus*, urged reversal. Justice made it clear, however, that the only question which it deemed to be of public interest involved top replacement on licensed G.M. cars; and Justice did not urge that Aro should be absolved for its repair and replacement activities on unlicensed infringing Ford cars.

E. In reversing the Court of Appeals' earlier decision, this Court's majority opinion spoke of licensed structures throughout. The majority opinion further held that the law of direct infringement was "left intact", 365 U.S. at 342; (and, as will appear, repairs to unlicensed structures are such direct infringements). Mr. Justice Brennan's concurring opinion expressly stated that Aro should be liable as to unlicensed Ford cars, 365 U.S. at 368. An analysis of this Court's earlier *Aro* holding will be given, to demonstrate that the licensed-unlicensed distinction made by the Court of Appeals below was a proper distinction.

IV. When the Court of Appeals below held that Aro was a direct infringer in repairing unlicensed Ford cars, and was a contributory infringer in selling tops meeting 35 U.S.C. 271(c) to infringing users of such unlicensed Ford cars, the Court of Appeals followed long-established precedent.

A. There is a fundamental difference between repairs to licensed and repairs to unlicensed structures. The question of repair is actually a question of implied license. When a patented structure is sold under original license from the patentee, the law presumes that the purchaser is given an implied license to keep his purchase in repair. This was the essence of *Wilson* v. *Simpson,* 9 How. 109, relied upon by this Court as the basis for its earlier *Aro* decision.

B. Since the question of repair is one of implied license, a patentee who has given no express license to use his structure obviously cannot be

said to have given an implied license to even repair that structure. This distinction was well stated by Mr. Justice Brandeis in *Union Tool Company* v. *Wilson,* 259 U.S. 107. The *Union Tool* decision sets forth a principle of direct infringement which was "left intact" when Congress enacted 35 U.S.C. 271(a), and fully supports the latest Court of Appeals decision below.

C. The liability, as a direct infringer, of one repairing an unlicensed structure has also been stated in decisions of the First through the Tenth Circuits inclusive, as well as by the leading text authorities in the field of patent law. Insofar as can be determined, there has never been any decision or textual statement to the contrary. Thus, when Aro argues that it should be entitled to freely repair and to contribute to the repair of infringing unlicensed structures, Aro urges a position diametrically opposed to every precedent.

D. The Court of Appeals noted that it is now an "established fact" (R. 80) that Ford cars were never licensed; and the record further shows that Respondent has never been compensated by Ford or by anyone else for Aro's infringing activities in respect to unlicensed Ford cars. The Court of Appeals' decision below did nothing more than state that Aro should now finally make such compensation.

V. The decision below should be affirmed since it is clearly consistent with the intent of Congress and since, moreover, it is in the public interest.

A. The arguments which Aro now makes to this Court are precisely similar to those made to Con-

gress during the hearings preceding enactment of 35 U.S.C. § 271. Other manufacturers of replacement parts then protested the intended Congressional enactment; and such replacement parts manufacturers were indeed "the most vociferous objectors" to the proposed legislation. In enacting 35 U.S.C. 271(c), Congress expressly rejected such protests and thereby indicated its intent to make persons such as Aro liable when they acted, as in the instant case, to perpetuate infringements by the sale of certain special "unpatented" components.

B. The policy embodied in 35 U.S.C. 271(c) is strongly in the public interest. When an unlicensed manufacturer, such as Ford, foists an infringing structure on the consuming public, public policy requires that the infringement cease as soon as possible. Aro's attempts to perpetuate these infringements is thus contrary to the public interest. This situation was recognized by the Justice Department at the time of the earlier *Aro* hearing; and is implicit in Justice's refusal to support Aro's present position in this matter.

VI. Aro's arguments of alleged antitrust violation find no support in the pleadings, in the law, or in the facts of this case.

A. While Aro argues that it should receive some sort of antitrust award, Aro never pleaded any antitrust cause of action, and never sought any treble damages recovery under the antitrust laws. Aro's antitrust arguments thus represent no more than an afterthought, injected into the case years after the case had been tried.

B. Insofar as Aro contends that there is some sort of *Mercoid* type violation here, the facts in this case clearly distinguish it from *Mercoid*. Respondent's activities have always constituted nothing more than a legitimate effort to license Aro under the patent, and to enforce its patent rights when Aro refused such a license. Respondent has never sold any goods; has never tried to monopolize the sale of any unpatented goods or to "tie" such goods to a patent license; and has taken no action which could possibly be deemed a patent misuse or antitrust violation under any prior decision of this or any other court.

C. Respondent's conduct in the instant case, far from being a misuse or antitrust violation, is fully sanctioned by 35 U.S.C. 271(d). This statutory sanction, and the controlling factual distinctions between this case and *Mercoid,* were expressly noted when this Court earlier decided *Aro.*

VII. Aro's clear purpose in seeking an antitrust award in the instant case is to deny patentees free access to the Courts, by making patent litigation a dangerous gamble insofar as patentees are concerned. Prior decisions of this and other Courts reject arguments of the type advanced by Aro, as contrary to the public interest. The denial of Aro's allegations by the Court of Appeals below, and by this Court in its earlier *Aro* decision, thus represents a statement of proper public policy which should not be disturbed.

ARGUMENT

The Mackie-Duluk Invention Was a Revolutionary Solution to Long Standing Problems in the Prior Art

Since the instant litigation has been in progress for eight years, the pioneer nature of the Mackie-Duluk automobile convertible top invention has become somewhat subordinated to various legal questions. The real importance of Mackie-Duluk's teaching may, moreover, tend to be forgotten since the invention in its original form was last used on new automobiles nine years ago.

For some fifty years prior to Mackie-Duluk, a number of major problems plagued convertible top structures (I:35)[1]. Prior convertible tops had comprised fabric material which was fastened to various pillars, bows, and linkages, as well as to the rear of the car body. However, to permit proper folding of the prior tops, and to avoid ripping of the top fabric, it was always considered necessary to leave the top fabric loose at the rear quarter areas of the car (the regions immediately to the rear of the side windows) for later closure by means of exterior, manually-engageable fasteners (e.g., snaps). Such tops could never be made fully automatic, since someone always had to leave the car to complete the top fastening, e.g., by manually depressing the snaps. The prior tops, moreover, shrank away from the snap fasteners due to exposure to the elements; and, as a result did not fit properly after a period of time. The appearance of the car accordingly deteriorated; and, in addition,

[1] For consistency, Respondent will employ the same form of record citation adopted by Petitioner; see f.n. 1 of Petitioner's Brief, No. 75, Oct. T. 1963.

after a time the tops could no longer be fastened even manually, whereby wind and water readily entered the car at its rear quarters. Unauthorized access to the car interior was also easy since the top structures were loose in the rear quarter region (I:35).

These difficulties were of long standing nature and, prior to Mackie-Duluk, the automobile industry "had been working for years on the problem" (I:371). However, even though "the very best engineers * * * in the body engineering department [worked] on convertible tops" (I: 381), no solution was forthcoming. When Mackie-Duluk was finally shown to the automotive industry, it was immediately recognized as the first "real solution" (I: 394). As found by the Trial Court, "Mackie-Duluk solved all [the prior] difficulties" (I: 34); and "Mackie-Duluk was a substantial and enlightened step, filling a long-felt want" (I: 34). The Mackie-Duluk invention appeared as original equipment on 1950-1954 General Motors convertibles, and on 1952-1954 Ford Motor Co. convertibles (I:33), but has since been replaced by further improvements (I: 35).

Mackie-Duluk's Fundamental Concept Lay in a New Shape and Arrangement of Fabric

Mackie-Duluk discarded the prior exterior manual-snap arrangement, and provided a new form of top characterized by certain elongated flaps of material extending *inside* the car, and *permanently* attached within the car, at its rear quarters, adjacent the axis of rotation of the folding bows. (I: 36). By this unique arrangement, the top could now be raised and lowered without ripping, even though it was permanently fastened at the rear quarter and the other

problems were also solved for the first time. Every witness agreed that the unique Mackie-Duluk fabric shape, and the permanent rear quarter attachment afforded thereby, was of primary importance in Mackie-Duluk's solution. Petitioner Harold Shapiro testified (I: 85):

> "Q. Am I correct in stating that one of the important improvements in folding tops of the type used on the 1952, 1953 and 1954 Fords, by way of example, is the fact that fabric comes down into the car and is fastened on the inside of the car so no water can get on the interior of the car itself and any water which does seep down past the fabric goes into the trough?
>
> "A. That is correct.
>
> "Q. Does the idea of having a *section of the fabric coming down inside the car and actually fastening* on part of the car, for instance, adjacent to the trough, *is that the important thing?*
>
> "A. That is correct."

The witness Booth, on cross-examination by Aro's counsel, testified to similar effect (I: 171-2), as did Petitioner George Shapiro (I: 49), and Aro's expert witness Brosens (I: 323). Mackie-Duluk's new shape of fabric, and its unique permanent rear quarter attachment, was "the fundamental concept", the "real crux of the whole thing", and a "revolutionary idea". Thus, the witness Pickard, a trim engineer of 50 years experience, and the retired chief trim engineer of the Ford Motor Company (I: 181-2), testified (I: 398-9):

> "XQ. [By Mr. Wolf, Aro's counsel] * * * *Will you agree* that *the fundamental concept* * * * was the attachment of the fabric below the body line a sufficient distance to permit raising and lowering the top; is that right?

"A. Yes. * * * That was *the real crux* of the whole thing. That was *the revolutionary idea.*" (Emphasis added.)

The Issue Before This Court Is One of Patent Infringement, Involving Only Two of Aro's More Than One Hundred Forty Top Models

There is no issue as to the validity of the Mackie-Duluk patent in suit, No. 2,569,724. The patent, embodying the "revolutionary idea" discussed above, was found valid by the first trial court (I: 34, 38), and then by the Court of Appeals (III: 648). When the case came before this Court, Aro conceded validity; see *Aro,* 365 U.S. at p. 338: "Validity of the patent is not challenged in this Court." The sole issue now before the Court is, therefore, one of infringement; and even here the question is highly limited, as will appear.

Petitioners, collectively called "Aro", comprise a corporate manufacturer, Aro Manufacturing Company, and a plurality of individuals forming a sales organization, Aro Top Sales Company. Aro states that it is the largest maker of replacement convertible tops in the world (II: 470). Although it now manufactures and sells an even greater number of top styles, Aro, at the time of the original trial, manufactured approximately 140 different replacement top fabrics designed for installation on automobiles of various different models and years (I: 45-6, 116). Of these 140 fabric models, only seven fabrics were involved in this case when it was first tried (I: 117); and only two fabrics, Aro's models 134 and 509 for 1952-4 Ford Motor Co. cars, are involved in the aspect of the case now before this Court. All of these seven fabrics were prepared from Aro's own special patterns, for installation as replacements of original fabrics on cer-

tain specific cars; and did not fit any makes or models of cars other than those for which they were specially designed by Aro (I: 117).

Aro's special tops, including the two models now in issue, embodied the unique Mackie-Duluk rear quarter shape and fastening, but otherwise differed in style, construction and method of installation from the original fabrics (III: 624, 626, 628-33, 640-1). Aro promoted the sale, and induced installation of their special Mackie-Duluk type fabrics by advertising (II: 463 et seq.), by demonstration clinics (I: 109), and by instructions (I: 259-60). In addition, Aro maintained a "trim shop" wherein they actually installed their special fabrics on the cars here in question (I: 33, 107-8, 134).

When charged with infringement and contributory infringement by reason of these various activities, Aro solicited advice from their present counsel, who in turn advised that Aro *was* infringing the Mackie-Duluk patent (I: 224). Aro, through its counsel, then sought a license under the patent; and Aro's counsel made it clear (in marked contrast to Aro's present misuse contentions) that Aro insisted on other infringers being "vigorously prosecuted for infringement unless they also became licensees on the same basis" (II: 474). Before license negotiations were completed, however, Aro, guided by their attorney, made certain structural changes in their tops in an attempt to avoid the Mackie-Duluk claims (I: 39, f.n. 9); and then, for that reason alone, aborted the license negotiations (II: 475). The instant litigation followed.

The History of This Litigation Emphasizes That Aro's Activities With Respect to Ford Cars Raise Questions Different From Those Raised By Their Activities With Respect to General Motors Cars

The case was tried in 1958. Respondent urged that, although certain General Motors cars had been originally licensed under the Mackie-Duluk patent, Aro's activities in replacing tops on those cars constituted a "reconstruction" of the Mackie-Duluk invention, thereby rendering Aro liable as a direct and contributory infringer.[2] As to Ford cars, however, Respondent urged that, since Ford cars had never been licensed under Mackie-Duluk, the question of "reconstruction" was of no importance; and it was urged that Aro infringed even if it merely repaired such infringing cars.

Before trial, Aro moved for summary judgment, urging that it could not be an infringer since it merely repaired the patented combinations, but did not "reconstruct" them (I: 24-5). The trial court, in 1957, (I: 26-28) denied Aro's motion since there were facts in issue; but went on to hold that the "doctrine of repair" could "never help" Aro as to Ford cars, since Ford cars were not licensed (I: 28). The legal difference between Ford and General Motors cars was thus established early in the case.

The litigation proceeded. After trial, the Court rendered a full opinion (I: 33-41) finding the Mackie-Duluk patent valid and infringed. The trial court, in

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[2] The facts upon which the trial Court and Court of Appeals based their earlier holding that there *was* reconstruction of G.M. cars, are summarized in No. 21, Oct. T. 1960, Brief for the Respondent, pp. 28-41. Prior cases, dealing with the factual question of reconstruction, are set forth in Mr. Justice Brennan's opinion in *Aro*, 365 U.S. at 362 et seq., footnotes 1-9 inclusive.

ruling on infringement, again stated the "two aspects" of Aro's infringement (I: 38); held that Aro infringed insofar as unlicensed Ford cars were concerned since, at the very least, Aro made prohibited repairs to such unlicensed cars; and also held, as to licensed G.M. cars, that Aro had reconstructed the patented combination in those cars.

Aro appealed on the narrow ground that its activities did not constitute reconstruction of the patented structure in licensed G.M. cars; i.e. as noted in the Court of Appeals' latest decision (R. 81):

> "The basic question argued before us by the appellants [dealt with repair or reconstruction] * * * upon the answer to which the issue of contributory infringement with respect to *licensed General Motors cars* depended". (Emphasis added)

At the time of this first appeal, Aro accepted, however, that it was liable for at least repairing unlicensed Ford cars, i.e., as also noted in the Court of Appeals' latest decision (R. 81):

> "We did not specifically consider infringement with respect to unlicensed Ford Motor Co. cars for that question was not greatly stressed and we were clearly convinced from the evidence that the court below was clearly correct * * *"

The Court of Appeals affirmed the District Court by decision rendered in 1959 (III: 647-655). Certiorari was granted (III: 656). The Department of Justice appeared as *amicus,* and urged reversal as to originally licensed General Motors cars since, said Justice (Brief of U.S. as Amicus Curiae, No. 21, Oct. T. 1960, pp. 2-3):

> "When a patented machine *is sold by the patentee or his licensee,* the purchaser is granted an

> *implied license* of free use. The patentee receives the lawful reward for his patent monopoly from the profit opportunity afforded to him as sole maker and seller or from the royalties payable to him by those granted *licenses* to manufacture and sell." (Emphasis added)

In so urging reversal as to *licensed* structures, however, the Department of Justice again noted the legal distinction between G.M. and Ford cars; emphasized that its views

> "had reference to replacement of the fabric portion of convertible tops *which had been installed pursuant to a license* from the patentee"

and stated that it

> "took no position respecting infringement if there was replacement of the fabric portion of convertible tops *which had not been manufactured or installed under license* from the patentee".

(See Department of Justice letter, dated May 3, 1960, facing page 76 of Brief for the Respondent, No. 21, Oct. T. 1961)

This Court thereafter reversed the Court of Appeals (365 U.S. 336). The majority opinion, although speaking throughout of licensed structures,[3] did not

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[3] The majority opinion, footnote 9 (365 U.S. at p. 343), notes that prior cases held that a "*licensee* of a patented machine or combination" may replace an unpatented element under certain circumstances; and distinguishes *Cotton Tie* v. *Simmons*, 106 U.S. 89, since the articles there replaced were "Licensed to use once only". The majority further states (p. 344) that respondent's contentions would require "a new license", and "another" royalty to be paid; and summarizes this Court's prior decisions by stating (p. 345) that "*a license to use a patented combination* includes the right 'to preserve its fitness for use * * *' (citing cases)." [Emphasis added.]

make any direct reference to either Ford or General Motors cars.[4] An express distinction between licensed G.M. cars and unlicensed Ford cars did, however, appear in Mr. Justice Brennan's concurring opinion (365 U.S. at 368):

> "I therefore, think that the judgment of the Court of Appeals must be reversed, *except, however*, as to the relief granted respondent in respect of the replacements made on *Ford cars* before July 21, 1955". (Emphasis added)

Upon remand, a new Trial Judge ruled in Aro's favor not only as to licensed G.M. cars, but also as to unlicensed infringing Ford cars. A second appeal was accordingly taken by Respondent to the Court of Appeals urging that, since Ford cars were never licensed, acts of even repair thereto constituted acts of direct infringement under established law; and that since this Court's earlier *Aro* decision had expressly noted that the law of direct infringment, codified in 35 U.S.C. 271(a), was "left intact" (365 U.S. at p. 342), Aro was liable at least for repairing, and contributing to the prohibited repair, of such infringing Ford cars.

The Court of Appeals, in a second decision rendered in 1962 (R. 78-88) agreed. In distinguishing between repairs to licensed and unlicensed structures, the Court of Appeals construed this Court's earlier decision as recognizing a like "licensed—unlicensed distinction" (see R. 86, f.n. 7). It is submitted that the history of this case, and the direct infringement law "left intact" (to be discussed hereinafter), clearly requires and warrants that distinction.

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[4] Respondent moved for clarification of the Court's Opinion in this respect; but said motion was denied, 365 U.S. 890.

The Holding Below Is Consistent With This Court's Decision, and With Long Established Precedent

As discussed in the preceding section, it has been recognized throughout this litigation that there were "two aspects" to Aro's infringement (I: 38). A first aspect involved Aro's liability for replacing tops on licensed G.M. cars. A second, different, aspect involved Aro's liability for repairing infringing *unlicensed* Ford cars.

Let us initially consider General Motors cars, the "first aspect" of infringement. As to these, the Courts and parties have uniformly sought to determine whether Aro's acts of top replacement amounted to a "reconstruction" of the patented combination, or were merely a "repair" thereof. This particular inquiry has been required since G.M. cars were originally licensed under the patent in suit; and, under our patent law, when anyone buys a patented article from a patentee, or is otherwise given an express license by a patentee to use his patented structure, the express license so granted is presumed to include an implied license to repair the structure, thereby to preserve the structure's fitness for use.

However, in making repairs under such an implied license, the user must stop short of "reconstructing" the patented structure; for such reconstruction amounts to the making of a new article, beyond the scope of the implied license; *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U.S. 325.

The foregoing principles, applicable to licensed General Motors cars, are the basis of this Court's earlier *Aro* decision, 365 U.S. 336. Thus, this Court stated that the "determinative question [was] * * * whether

such a [convertible top] replacement by the car owner is infringing 'reconstruction' or permissible 'repair' " (365 U.S. at 342); cited *Wilson* v. *Simpson*, 9 How. 109, 13 L. Ed. 66 as "the leading case in this Court that deals with the distinction" (*Aro*, p. 342), and as the "authoritative expression on the subject" (*Aro*, p. 343, f.n. 9); stated that the "distilled essence" of *Wilson*, and its "plain and practical test", was that "The [patent] monopolist cannot prevent those *to whom he sells* from * * * reconditioning articles worn by use, unles they in fact make a new article" (*Aro* p. 343; emphasis added); and cited other cases confirming that *"a license to use a patented combination* includes the right to preserve its fitness for use * * *" (*Aro*, p. 345; emphasis added.). Applying these principles, this Court ruled that "the replacement of the fabric involved in this case must be characterized as permissible 'repair', not 'reconstruction' " (*Aro*, p. 346).

The second aspect of infringement, now before this Court, is quite different. It has also been well settled that when a structure covered by a patent is manufactured and/or sold *without* license of the patentee, e.g. by an infringer such as the Ford Motor Co., one using that article, even an innocent purchaser thereof, is equally an infringer. This established principle of direct infringment was codified in 1952, in Title 35, United States Code, § 271(a):

> "Whoever *without authority* makes, *uses* or sells any patented invention * * * infringes the patent". (Emphasis added)

Moreover, the law recognizes that a patentee who has given no express license to use his structure, obviously

cannot be said to have given an implied license to even repair that structure. And since repairs to an infringing structure perpetuate the infringement in continued derogation of a patentee's rights, it has long and uniformly been held that even "repairs" to an unlicensed, infringing structure are themselves acts of direct infringment.

This important distinction between permissible repairs to a licensed structure, and *prohibited* repairs to an unlicensed structure, has been stated by this Court in *Union Tool Company* v. *Wilson*, 259 U.S. 107, 113-114, (Brandeis, J.):

> "On the merits the contention is this: * * * spare parts are needed *for repairs*. Those here in question were sold for use in, and *repair of*, machines marketed by the company before the service of the injunction. Therefore, it is argued, the sale of these parts is licensed and thus not a violation of the injunction. But to this argument which prevailed in the District Court, there are several answers; and, among them, this. It does not appear that Wilson has received any compensation whatever for the infringement by use of these machines. Compare Birdsell v. Shaliol, 112 U.S. 485, 487-489, 28 L. Ed. 768. *There was, consequently, no implied license to use the spare parts in these machines.* As *such use, unless licensed*, clearly constituted *an infringement*, the sale of the spare parts to be so used violated the injunction." (Emphasis added.)

See also, *United States* v. *Univis Lens Co.*, 316 U.S. 241, at p. 249.

This same distinction between permissible repairs to licensed structures and *prohibited* repairs to *unlicensed* structures, has been expressed not only by the

First Circuit in the instant case, but also by the Second Circuit,[5] by the Third Circuit,[6] by the Fourth Circuit,[7] by the Fifth Circuit,[8] by the Sixth Circuit,[9] by the Seventh Circuit,[10] by the Eighth Circuit,[11] by the Ninth Circuit,[12] by the Tenth Circuit,[13] and by leading text authorities.[14] Indeed, insofar as can be determined, there has never been *any* case holding to the contrary, in this Court or any other Court, nor has any text authority ever taken a contrary view.

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[5] Electric Auto Lite Co. v. P. & D. Mfg. Co., 109 F. 2d 566, 567 (CA-2, 1940); Ferguson v. Ford Motor Co., 77 F. Supp. 425, 435 (D.C. S.D., N.Y., 1948).

[6] Union Special Machine Co. v. Maimin, 161 Fed. 748, 750 (C.C. Pa., 1908), affirmed 165 Fed. 440 (CA-3); National Malleable Casting Co. v. American Steel Foundries, 182 F. 626, 641 (CC-NJ, 1910).

[7] Remington Rand Business Service, Inc. v. Acme Card System Co., 71 F. 2d 628, 630 (CA-4, 1934).

[8] Reed Roller Bit Co. et al. v. Hughes Tool Co., 12 F. 2d 207, 211 (CA-5, 1926).

[9] Thomson-Houston Electric Co. v. Ohio Brass Co., 80 Fed. 712, 722-723 (CA-6, 1897, Taft, J.).

[10] National Brake and Electric Co. v. Christensen, et al., 38 F. 2d 721, 723 (CA-7, 1930).

[11] Shickle, Harrison & Howard Iron Co. v. St. Louis Car-Coupler Co., 77 F. 739, 743 (CA-8, 1896).

[12] Wilson v. Union Tool Co., 265 F. 669, 672-3 (CA-9; 1920), aff. 259 U.S. 107.

[13] Ruth v. Stearns-Roger Mfg. Co., 13 F. Supp. 697, 712-13 (D. Colo. 1935); Williams v. Hughes Tool Co., 186 F. 2d 278, 284-5 (CA-10, 1950), cert. den. 341 U.S. 903.

[14] See Deller's Ed. of Walker on Patents, Sec. 379, at pages 1486-87; and see 69 Corpus Juris Secundum, § 287: "• • • a person is an infringer where he *repairs* an *infringing* article, machine, or device."

This "second aspect" of Aro's infringement characterizes, of course, the situation with respect to Ford cars. That Ford cars never were licensed under the patent is now an "established fact" (R. 80).[15] Moreover, the record shows that the patentee has never been compensated for Aro's infringement; and was expressly refused such compensation by Ford, who stated that "they weren't interested in buying any sort of a release or license or anything else that would help out these replacement top people" (R. 93).[16] Every one of the Ford cars here involved was a directly infringing combination of structure when Ford made and sold it; and when a car owner used it. And they were directly infringing structures when Aro repaired them, and contributed to their infringing repair, in derogation of the patentee's rights and without any direct or indirect compensation to the pat-

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[15] Ford settled for its own past infringement by an agreement dated July 21, 1955, and effective December 31, 1955 (II: 510). This agreement nowhere licenses the infringing cars. As of July 21, 1955, Ford had already completed its manufacture of all the cars here involved; these cars were all on the streets; every such car was already an infringement of Mackie-Duluk; and Aro had already been engaging in its Ford infringement for more than one and one-half years after notice of infringement. *Whatever Aro may now argue as to the effect of the Ford agreement can have no bearing on Aro's activities prior to July 21, 1955, for the agreement was not then even in existence.* In any event, the Ford agreement expressly excluded persons such as Aro (see paragraph 5, II: 512).

[16] If the Ford agreement had never been made at all, it is clear that it would have been proper to require that Aro pay royalties, insofar as infringing Ford cars are concerned, even up to the present time. This being the case, it is clear that it was proper for the agreement to expressly recognize and to expressly exclude Aro's liability from its terms. Since Ford refused to purchase any rights for Aro, either before or after July 21, 1955, Aro is liable for its Ford repair activities both before and after that date.

entee.[17] The law of direct infringement, which this Court noted was "left intact" by 35 U.S.C. § 271(a), requires that Aro now, and finally, compensate the patentee for Aro's prohibited repairs to these unlicensed Ford cars.

The Court of Appeals Heeded This Court's Mandate in Awarding Recovery for Unlicensed Ford Cars

In distinguishing between licensed G.M. and unlicensed Ford cars, the Court of Appeals heeded a distinction apparent in this Court's earlier *Aro* decision (see the Court of Appeals' opinion at R. 86, f.n. 7). By reason of this distinction, Aro was clearly liable for its own acts of direct infringement, e.g., Aro's own unauthorized repairs to unlicensed Ford cars in Aro's own trim shop (I: 107-8, 134). Aro nowhere questions its liability for such acts of direct infringement, even now.

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[17] When Ford settled for its own past infringement in 1955, Ford did not compensate the patentee for Aro's separate acts of direct and contributory infringement, either expressly (R. 92-3), or by implication, see *Union Tool Co.* v. *Wilson, supra*, 259 U.S. at p. 114. And see *Birdsell* v. *Shaliol*, 112 U.S. 485, 5 S. Ct. 244, 245:

> "No more does one, who pays damages for selling a machine in infringement of a patent, acquire for himself or his vendee any right to use that machine. (p. 245) • • • So long as the article is used, there is continuing damage" (p. 246).

This same rule is implicit in 35 U.S.C. § 284, which awards damages on the basis of "*the use* made of the invention by the infringer". Mr. Justice Black has also noted that a car owner did not acquire unlimited rights simply because he paid for his car (See *Aro*, at p. 357):

> "An accident might wholly destroy the entire top and then it might be replaced by a new one, which *if done without the patentee's consent would of course be an infringement*". (Emphasis added.)

In addition to this direct infringement, Aro "custom tailored" special tops designed to fit only unlicensed Ford cars and fitting no other cars (I: 117), and sold them for use use by other direct infringers in making similar infringing repairs to unlicensed Ford cars. Aro's sole concern at the present time appears to involve its liability for contributory infringement, arising from such sales.

As to these, however, the part so sold by Aro was "a component of a patented machine" meeting all the tests of 35 U.S.C. § 271(c) [see *Aro*, 365 U.S. at 341, f.n. 6]. Accordingly, Aro was clearly liable as a contributory infringer when it sold its specially designed Ford tops (see *Aro*, 365 U.S. at 341):

> "It is admitted that petitioners know that purchasers intend to use the fabric for replacement purposes on automobile convertible tops which are covered by the claims of respondent's combination patent, *and such manufacture and sale with that knowledge might well constitute contributory infringement under § 271(c), * * * if such a replacement by the purchaser himself would in itself constitute a direct infringement under § 271(a) * * *"* (Emphasis added.)

The above quoted portion of this Court's earlier *Aro* opinion is, indeed, the very rationale of the latest Court of Appeals' decision below (R. 85-6):

> "* * * not only is the manufacturer of an infringing article an infringer but so also is a user of an infringing structure or device, for the monopoly conveyed by a patent covers the right to make, sell and use. Therefore, *a purchaser of an infringing Ford car is himself an infringer and as an infringer he cannot legally replace any part of his top, for by the purchase of his car he obtained no*

> *license to use the patented structure, even less to repair it.* And one who supplies the infringing purchaser-user-repairer with a component of the patented top constituting a material part of the invention (certainly the fabric portion of the top cut or shaped in the only way it could possibly function in the combination is a material part of the Mackie-Duluk invention) knowing the same to be especially made or especially adapted for use in an infringement (Aro admittedly designed, made and advertised replacement tops *for unlicensed Ford cars*) and not, as the District Court originally found and this Court agreed, a staple article suitable for a substantial non-infringing use, is a contributory infringer under Title 35 U.S.C. § 271(c) * * *" (Emphasis added.)

A comparison of the two foregoing quotations demonstrates that the Court of Appeals correctly interpreted, and applied, both the letter and the spirit of this Court's earlier *Aro* decision.

The Decision Below is in the Public Interest, and in Accordance With the Intent of Congress

It is apparently Aro's position that, since the tops it sells are only part of the infringing Ford combination, Aro should not be bothered by any considerations of the patent law. In so contending, Aro repeats arguments made to Congress by other replacement part manufacturers, prior to enactment of 35 U.S.C. § 271(c) and (d); see excerpts from the Hearings reproduced in *Aro*, 365 U.S. at p. 378, f.n. 7, noting that Congress, during consideration of the bill, "received protests from manufacturers of replacement parts for such things as automobiles"; and that replacement part manufacturers, like Aro, were "the most vociferous objectors".

In passing 35 U.S.C. § 271(c) and (d), Congress fully considered, and expressly rejected, arguments of the very type now made by Aro. And, in rejecting these contentions, Congress reaffirmed that the protection afforded by 35 U.S.C. § 271(c) was "an expression both of law and morals" (see *Aro*, p. 365, f.n. 9).

Aro's argument, corresponding to that rejected by Congress, is that Aro's tops are "unpatented", i.e., that all of the Mackie-Duluk claims are directed to combinations of structure, whereas Aro sells only one component of that combination. The statute, 35 U.S.C. § 271(c), is, and was, however, concerned with precisely this situation; see Federico, "Commentary on the New Patent Act", 35 U.S.C.A. page 53, preceding § 1:

> "The thing sold is presumably *not itself patented* since if it were patented the question of contributory infringement, as distinguished from direct infringement, would scarcely arise and the paragraph [271(c)] would have little or no apparent purposes". (Emphasis added.)

It was the clear intent of Congress to restrain sale of "a *component* of a patented * * * *combination*" when that "component" met certain factual criteria set forth in Section 271(c). The special Ford tops sold by Aro clearly met these criteria (e.g., see R. 86).

Nor was there anything improper in the protection thus afforded by Congress, against profiteers such as Aro who would perpetuate infringements by dealing in certain special types of "unpatented" components. Under Article 1, § 8 of the Constitution, it was up to Congress to provide patent protection as Congress saw fit. There is no Constitutional requirement that "combination claims" be used to protect only a combi-

nation, as distinguished from a component of the combination; nor, indeed, any requirement that claims be used, at all, to measure patent protection. The form of protection afforded by § 271(c) was thus well within the Constitutional power of Congress to provide. And the propriety of the protection thus given is demonstrated by the fact that this Court provided similar protection judicially more than forty years ago, by restraining sale of a certain "unpatented" part of a patent combination; *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U.S. 325. See also The Report of the Attorney General's National Committee To Study The Antitrust Laws, 1955, page 252, approving the protection of such "unpatented" components:

> "In many instances the *unpatented element* involved in the contributory infringement suit is the heart of the patented combination and has no other substantial use, so that *relief for contributory infringement is in economic effect equivalent to relief for direct infringement.* To render the patentee powerless to sue for contributory infringement in such instances may thus denude him of his patent rights.
>
> * * * * *
>
> "The Congressional response to the *Mercoid* decisions is found in Section 271 of the 1952 Patent Code. The Committee approves these provisions * * *"

When this case first came before this Court (No. 21, Oct. T. 1960), the Justice Department urged, as *amicus*, that it was in the public interest for persons to be permitted to replace parts freely on originally licensed combinations. The Department of Justice did not then urge, however, that there was any public interest in permitting infringers to perpetuate their infringe-

ments, or in permitting replacement part manufacturers such as Aro to profit from unauthorized repairs to unlicensed structures. Nor does Justice take any such position now. To the contrary, the Justice Department has refused to take an *amicus* position in the present phase of this case (see the letter of May 15, 1963 from the Solicitor General, at appendix p. 43 of this brief), since:

> "The present phase of the litigation appears only to involve the application of principles already declared to a particular factual situation; it would not seem to have great moment from the standpoint of any governmental policy."

The power of Congress to legislate upon the subject of patents is plenary; *McClurg* v. *Kingsland,* 1 How. 202, 206; *United States* v. *Dubilier Condenser Corp.,* 289 U.S. 178, 189. Congress, in enacting 35 U.S.C. § 271(c), has properly so legislated; and has acted after rejecting arguments precisely similar to those now advanced by Aro. The decision below is in full accord with the public interest implicit in that legislative enactment.

Aro's Antitrust Arguments are Totally Unfounded

Much of Aro's brief is devoted to the erroneous proposition that, by reason of the instant litigation, Aro should receive some sort of antitrust award. The Court of Appeals forcibly rejected this contention, holding (R. 88):

> "There is no merit whatever in this appeal."

Aro never pleaded any antitrust statute alleged to have been violated, nor any acts comprising an alleged antitrust cause of action; nor, indeed, did Aro ever plead that it had been damaged by any such alleged

antitrust case of action, or that it was entitled to a monetary award under the antitrust laws.

This is not a case where a supposed antitrust violation was "insufficiently" or "defectively" pleaded; it is a case in which it was *not pleaded at all.* This total lack of a proper pleading formed the basis of the decision below, and rightly so (R. 87-88). There must be an end to litigation sometime; and it is hardly in the interests of justice to permit Aro to prolong this suit and force it into new unpleaded avenues, on the basis of an afterthought, eight years late.

At most, Aro filed a counterclaim (I:11) in 1956 under the Declaratory Judgements Act, asking that the Court "find and enter a decree herein holding that [the patent in suit] has been misused" (R. 67). The trial court refused to so decree, stating (I:33):

> "Finally, they [Aro] claim misuse of the patent, a defense I find *clearly not made out*". (Emphasis added.)

Aro then dropped the matter on appeal, i.e., as the Court of Appeals found, "Patent misuse as a defense was clearly abandoned" (R. 87). Mr. Justice Brennan has noted the same thing; see *Aro,* 365 U.S. at p. 377, f.n. 5.

This express ruling against Aro, and Aro's subsequent abandonment of the defense, were clearly warranted by the factual and legal circumstances here involved. Respondent has never manufactured or sold any goods. At no time did it ever seek to require, as a condition for the license, that any unpatented article, or indeed any article whatsoever, be purchased from Respondent or from anyone else. Respondent never used, or attempted to use, the patent to secure for itself any competitive advantage in the sale of

goods; never refused to give Aro, or anyone else, a license; never tried to place any one licensee in a more favored position than another; and never diverted any top sales to or away from Aro, or to or away from any one else.

Respondent merely sought to license Aro under the patent, and, when the attempt proved unsuccessful, sought to enforce its patent judicially. Such conduct has been specifically sanctioned by congress; see 35 U.S.C. § 271(d):

> "(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief *or deemed guilty of misuse or illegal extension of the patent right* by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement." (Emphasis added)

Aro ignores the provisions of § 271(d), and argues this Court's earlier *Mercoid* cases (320 U.S. 661, 680) as alleged basis for the relief Aro seeks. However, even if we disregard the fact that Congress intended § 271(d) to avoid the *Mercoid* interpretation now sought by Aro (cf. *Aro*, 365 U.S. at p. 348, f.n. 3; p. 349, f.n. 4; and p. 365, f.n. 9), it is clear that Respondent's conduct at no time contravened *Mercoid*. In *Mercoid*, this Court held it improper for a patentee to use the patent "as the effective means of restraining competition with *its* sale of an unpatented article", 320 U.S. 661 at 665. Mr. Justice Frankfurter sum-

marized the *Mercoid* holding as follows (320 U.S. at 676):

> "The Court holds in effect that the owner of a patent who exacts, as the condition of a license, that unpatented materials used in connection with the invention *shall be purchased only from the licensor* cannot obtain relief from equity against one who supplies such unpatented materials * * *. In this view I concur". (Emphasis added.)

In the instant case, Mr. Justice Brennan noted the same thing; see *Aro*, 365 U.S. at 377:

> "What was said in Mercoid about contributory infringement must be read in the context of Mercoid's claim, found to have been established, that Mid-Continent had misused its combination patent by attempting in effect to wield it as a weapon to *monopolize* the sale of an unpatented element, a claim which is not here made."

Moreover, in *Automatic Radio Mfg. Co., Inc.* v. *Hazeltine Research, Inc.*, 339 U.S. 827, 931, this Court held that in a factual situation of the type involved in the instant case, *Mercoid* would not be controlling:

> "Petitioner apparently concedes that these cases do not, on their facts, control the instant situation. It is obvious that they do not. *There is present here no requirement for the purchase of any goods. Hazeltine does not even manufacture or sell goods* * * *." (Emphasis added.)

In these circumstances, it is submitted that the antitrust relief sought by Aro is not supported by the facts in this case, or by prior case law; and that it is, indeed, contrary to the intent of Congress as expressed in § 271(d). The Court of Appeals below was thus clearly correct when it found (R. 87):

"Now counsel for Aro as appellant in No. 5993 seeks not only to revive that abandoned defense but also by some subtle legal alchemy to transform it into a positive claim for triple damages and counsel fees under the antitrust laws. We are not aware of any basis or authority for such a metamorphosis".

This Court Has Already Rejected Aro's Arguments of Misuse and Antitrust Violation

When this case earlier came to this Court, Aro's brief and oral argument were then, as now, devoted in large part to a discussion of alleged misuse and antitrust violation. The Department of Justice, appearing as *amicus,* refused to join in the position taken by Aro. Aro, on its own, nevertheless presented the same antitrust arguments which it now presents (see Brief for Petitioners, No. 21, Oct. T. 1960, pp. 56-69, and 75). This Court then proceeded to rule *against* Aro.

Thus, in its majority opinion, the Court held that patent misuse "is not an issue in this case" (365 U.S. at 344, f.n. 10).[18]

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[18] Aro in effect now argues that misuse, unclean hands, etc., are defenses that need not be pleaded. However, the Patent Act of 1952 requires a defendant to plead these defenses, *General Industries Co.* v. *Birmingham Sound Reproducers* (D.C E.D. N.Y., 1961), 194 F. Supp. 693, 694-5. See Title 35 U.S.C. § 282:

"The following shall be defenses in any action involving the validity or infringement of a patent *and shall be pleaded:*

(1) Noninfringement, absence of liability for infringement, or *unenforceability*" (Emphasis added.)

Since the defense of misuse, etc., must be pleaded, it can be abandoned by failure to pursue it. Moreover, Aro has never filed any supplemental pleading to cover events which allegedly occurred after the original pleading, as required by Rule 15d, F.R.C.P. Hence, most of the allegations in Aro's brief are unsupported by any pleading at all.

Mr. Justice Black, in concurring, noted that since the real issue in this case is one of direct infringement, Aro's talk of misuse was "confusing and beside the point" (365 U.S. at 347).

Mr. Justice Brennan ruled against Aro since "the statutory sanction" in 35 U.S.C. 271(d) contradicted Aro's position; and he stated (365 U.S. at 365, f.n. 9):

> "The legislative history makes it clear that paragraph (d) complements (c) with the view to *avoid the application of the patent misuse doctrine to conduct such as that of the patent owner in the present case*". (Emphasis added.)

Mr. Justice Harlan (joined by Mr. Justices Stewart and Frankfurter) stated that *Mercoid* recognized a misuse under "special circumstances"; but that, as a factual matter, "Those circumstances are not present in this case" (365 U.S. at 378).

It is accordingly submitted that the Court of Appeals' rejection of Aro's misuse and antitrust allegations was in no way inconsistent with this Court's mandate.

Aro's Recitation of the Alleged Misuse Is Misleading

Respondent disagrees with Aro's factual recitation, and with the conclusions of alleged misuse which Aro draws therefrom; and submits that Aro's recitation is misleading. The controlling facts are as discussed in preceding sections of this brief; and demonstrate the total lack of any misuse or antitrust violation on the part of respondent.

In evaluating Aro's present contentions, it is pertinent to note that Aro has, throughout this litigation, been rather loose in its presentation of "facts". The

first trial Court expressly viewed certain of Petitioner's testimony on the stand as "reckless, or worse" (I: 46); noted that then, as now, "there were various matters in defendants' briefs which clearly should not have been there" (I: 47); and that, indeed, Aro was inclined to make "false" and "irresponsible statements" (I: 47). Aro now places further such matters in its brief, and seeks to support further such irresponsible statements by distorting material not even of record.[19]

In the usual antitrust case, a small organization complains that it is being prejudiced by improper competitive activities of a larger, more powerful organization having a dominant position in some particular market. Aro's argument is, however, a strange reversal. Aro argues that respondent is economically weak and has few assets. Little people are evil people, implies Aro. And, little people act in bad faith when they seek royalties from a bigger company, such as Aro, which has substantial assets and a nationwide position in the market.

Aro's brief (pp. 18 and 22, No. 75, Oct. T. 1963) notes that by 1961, after five years of litigation, respondent's assets were depleted; and that respondent had appreciable liabilities "primarily attributable to

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[19] Respondent renews its Motion to Settle the Record, filed July 1963, and printed at Appendix pp. 45-9 hereof; inviting the Court's attention, moreover, to the fact that Aro's brief does not comply with this Court's Rule 40(2):

> "If the reference is to an exhibit, both the page number at which the exhibit appears *and at which it was offered in evidence* must be indicated."

This failure on the part of Aro to comply with the rules is understandable, since much of the material now cited by Aro has never been in evidence.

this patent and this suit" (Aro's brief, p. 22). It is submitted, however, that the depletion of assets as a result of litigation is not an actionable wrong, as suggested by Aro. Moreover, Aro fails to mention that Aro has refused to pay two awards of costs made to respondent on January 8, 1963, and on September 4, 1959, totalling over $1,350.00. Thus, insofar as respondent's finances are stressed by Aro, Aro misleads the Court by failing to note that it has been Aro's activities which have prolonged this litigation to respondent's financial detriment (I: 47); and by ignoring the fact that respondent's finances would be much improved if Aro would merely pay its debts.

Aro repeatedly implies some sort of impropriety revolving about the so-called Ackermans patent, a patent not in suit, (see Aro's brief, pp. 15, 16, 17, 23, 43, 48, and 54). However, Aro fails to mention that Ackermans covers subject matter so different from Mackie-Duluk that by Aro's own admission, either patent "could be practiced without infringement of the other" (R. 11).

Aro further argues some sort of impropriety in the fact that Ackermans and Mackie-Duluk licensees were permitted to pay royalties on the basis of their total top production, "without regard to whether such top is covered by either of said patents" (Aro's brief, p. 17).[20] This ignores that such practice was sanctioned

[20] While the main thrust of Aro's argument is that Respondent's assignor collected royalties on unpatented materials, there is no proof that the royalties were paid for anything outside the scope of one or both patents licensed, or that the royalties collected were outside the sanction of 35 U.S.C. § 271(d). It must be recalled that two patents were involved in the licenses, and no automobile manufacturer ever owned the Ackermans patent.

by this Court, after *Mercoid*, in the case of *Automatic Radio Mfg. Co., Inc.* v. *Hazeltine Research, Inc.*, 339 U.S. 827, 833:

> "The licensing agreement in issue was characterized by the District Court as essentially a grant by Hazeltine to petitioner of a privilege to use any patent or future development of Hazeltine in consideration of the payment of royalties. *Payment for the privilege is required regardless of use of the patents.* The royalty provision of the licensing agreement was sustained by the District Court and the Court of Appeals * * * The Court of Appeals reasoned that since it would not be unlawful to agree to pay a fixed sum for the privilege to use patents, it was not unlawful to provide a variable consideration measured by a percentage of the licensee's sales for the same privilege. 1 Cir., 176 F. 2d at page 804. Numerous District Courts which have had occasion to pass on the question have reached the same result on similar grounds, *and we are of like opinion.*" (Emphasis added.)

Moreover, insofar as Aro argues that the instant case is of major economic significance, and indulges in an elaborate and misleading mathematical computation to support its allegation (Aro's brief, pp. 24-5, 47-8), Aro totally misstates the economic significance of the subject matter here involved by failing to note that there has never been any need for Aro, or anyone else, to market even a single Mackie-Duluk type replacement top. Thus, as found by the District Court (I: 39, f.n. 8):

> "In other words the car owner, and defendants in his stead, did not have to subject themselves to replacement royalties if they did not want to."

Aro's own evidence, in this suit, establishes that Aro could have sold a completely non-infringing top, had it desired to do so, without losing any sales or customers; that no customer would have been deprived of a top and no car forced into disuse by Aro's election not to take a license; and that, indeed, it would have been to Aro's advantage to sell a non-infringing form of top due to the easier and cheaper installation which results (I: 39, f.n. 8).

When certiorari was first granted in this case, Aro sought the assistance of the Department of Justice. Aro's recitation of "facts" fails to note, however, that the Antitrust Division of the Justice Department expressly refused to join Aro in arguing misuse or antitrust violation before this Court. When certiorari was granted the second time, Aro again sought the assistance of the Justice Department; but Justice again refused to join Aro in its allegations. This consistent refusal by the Antitrust Division is believed worthy of some consideration by this Court. At the very least, it demonstrates that the particular Agency of the United States Government most acutely aware of possible antitrust violations found no such violations in this record, or in Aro's recitation.

The Antitrust Award Sought by Aro Is Contrary to the Public Interest and Would Deny Free Access to the Courts

Aro admits that its purpose in seeking an antitrust award in the instant case is to inhibit patentees who might otherwise be inclined to seek judicial enforcement of their patent rights, by making such patent litigation, in the words of *Straus, et al*, v. *Victor Talking Machine, Co., et al*, 297 F. 791, 799, "a dangerous gamble which might subject the loser to heavy dam-

age." Thus, says Aro (Petitioner's Brief, p. 51, No. 75, Oct. T. 1963):

> "If owners of combination patents realize that employing federal courts as an aid for restraining trade in unpatented goods will lead to liability for treble damages, the chances of other owners repeating the illegal activities apparent in this record are greatly reduced."

And, at p. 52 of its brief, Aro continues:

> "If those who would exploit small industries realized that even relatively small-scale violations of the antitrust laws will subject them to treble damages, few would risk such illegal activities."[21]

Congress, in enacting 35 U.S.C. § 271(d), sanctioned the conduct of the patent owner in this case, and stated that such conduct was not to be deemed "misuse or illegal extension of the patent right." The public policy inherent in this statutory enactment corresponds to that earlier noted by Court, in *Virtue* v. *Creamery Package Manufacturing Co.*, 227 U.S. 8; 33 S.Ct. Rep. 202, 208:

> "Patents would be of little value if infringers of them could not be notified of the consequences of infringement, or proceeded against in the

[21] Aro's characterization of itself as a "small industry" is contrary to the record. As found by the trial judge (I: 34): "there has grown up a *sizeable* independent top industry, of which defendants are locally, and perhaps nationally, *leaders*". (Emphasis added.) This Court noted the same thing (*Aro*, at p. 338). Indeed, Aro describes itself, outside of its brief, as the largest convertible top manufacturer *in the world* (II: 470). Moreover, while Aro's brief now urges that the instant litigation is an improper use of the courts, Aro, outside of its brief, urged that other replacement top manufacturers "be vigorously prosecuted for infringement" if they refused a Mackie-Duluk license (II: 474).

courts. Such action, considered by itself, cannot be said to be illegal".

See also, *United States* v. *United Shoe Machinery Corp.*, 110 F.Supp. 295, 333; aff. *per curiam*, 347 U.S. 521 (1954).

The clear public interest is thus *against* the sort of punishment which Aro now seeks to impose on respondent; see *Straus, et al.* v. *Victor Talking Machine Co., et al.*, 297 F. 791, 798 (CA-2, 1924):

> "We think the question goes deeper, and we place our decision on a ground more fundamental. Free access to the courts must neither be denied nor penalized. Of this principle, the case at bar is a perfect illustration. When the suit of Victor v. Straus was brought, the most which can be said against Victor Company is that the questions litigated were debatable. The court of last resort to which an appeal could be taken without permission by way of certiorari had declared in 230 Fed. 449, 144 C.C.A. 591, that Victor Company was right. The Supreme Court on certiorari reversed on the same day upon which it announced repudiation of Henry v. Dick, supra. In such circumstances, to say that a suit brought to determine rights may be a part of a scheme to violate statute law, and, if so, that the suitor may be subject to respond in damages, is to announce that he who seeks the judgment of the courts does so at his peril."

Similar expressions of public policy may be found in *Jacquard Knitting Machine Co. Inc.* v. *Ordnance Gauge Co. Inc., et al.*, 213 F.2d 503, 508 (CA-3, 1954); *International Visible Systems Corp.* v. *Remington-Rand Inc.*, 65 F.2d, 540, 542 (CA-6, 1933); and

Cameron Iron Works Inc. v. *Edward Valves, Inc., et al.*, 175 F.Supp. 423, 426 (D.C. Texas, 1959).

It is accordingly submitted that the Court of Appeals was clearly correct in holding that there "is no merit whatever in [Aro's] appeal" (R. 88).

CONCLUSION

For the foregoing reasons, it is submitted that the decision below is consistent with this Court's mandate, and with precedent. Moreover, the decision below, in all of its aspects, represents a proper expression of the Congressional intent implicit in 35 U.S.C. § 271, and is strongly in the public interest. It should, accordingly, be *affirmed.*

Respectfully submitted,

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APPENDIX

Office of the Solicitor General
Washington, D. C.

60-358-0

May 15, 1963

Elliott I. Pollock, Esq.
Moore, Hall and Pollock
1200 - 18th Street, N. W.
Washington 6, D. C.

Re: Aro Manufacturing Company, Inc., et al.
v. Convertible Top Replacement Company, Inc. - No. 833, October Term, 1962

Dear Mr. Pollock:

I have delayed my response to your letter of April 4th so that members of the Antitrust Division and of my staff might have an opportunity to study the petition and responding brief in the above-captioned case. It is our considered conclusion that the case, in its present posture, is not one which calls for participation by the government as amicus curiae. The United States did, of course, participate in the predecessor Aro case. That was undertaken because we were convinced that the issue then presented was one which had significant implications from the standpoint of antitrust policy. The present phase of the litigation appears only to involve the application of principles already declared to a particular factual situation; it would not seem to have great moment from the standpoint of any governmental policy.

Although, for the reasons indicated, I must decline your suggestion that the government support the position urged by your client, I appreciate your bringing the matter to my attention.

Sincerely yours,

Archibald Cox

Archibald Cox
Solicitor General

Motion to Settle the Record

Now Comes Respondent, and moves that this Court declare that the following listed items, designated* by Petitioners for printing in the instant matter, do not comprise a portion of the record before this Court; or, in the alternative, moves that the question raised by the instant motion be submitted to the Court of Appeals below for a determination of the record before the Court below; and further moves that the Clerk of this Court be directed not to include the items listed hereinafter, or any of them, in the printed record to be used by this Court in the instant case:

1. Plaintiff's answers to defendants' request for admissions 29 and 33.

2. Defendants' request for admission 58.

3. Defendants' exhibit accompanying request for admission 58, letter dated August 28, 1956, to Howard Zink Corporation from Moore and Hall.

4. Plaintiff's answer to request for admission 58.

5. Plaintiff's Accounting Exhibit 1, stipulation re acquisition of additional patent rights and license agreements with certain sellers of replacement fabrics.

6. Defendants' accounting interrogatories 1-9.

7. Plaintiff's Accounting Exhibit 2, stipulation re testimony of William D. Hall.

8. Plaintiff's answers to defendants' interrogatories 1-9.

9. Defendants' Accounting Exhibit 4-B, release and license agreement between Automobile Body Research

* The material listed comprises portions of Item 1 in "Petitioners' Designation of Record Portions for Printing".

Corporation and Faulkner Manufacturing Company of Massachusetts dated April 1, 1959.

10. Hearings before William R. Hulbert, Special Master:

(a) Plaintiff's opening statement.

(b) Defendants' introduction of certain exhibits.

(c) Plaintiff's cross-examination of Harold Shapiro.

The Facts

Respondent submits the following facts, pursuant to Rule 35(1), Revised Rules of the Supreme Court of the United States, in support of its motion.

One aspect of the instant case was earlier heard and decided by this Court in 1960, No. 21, Oct. T. 1960. In the earlier phase of the case, this Court rendered a decision on February 27, 1961 (reported at 365 U.S. 336), whereafter the case was remanded to the District Court for further proceedings. After such further proceedings, judgment was entered by the District Court on August 29, 1961; and the parties hereto then took appeals to the Court of Appeals for the First Circuit from certain facets of that final judgment. The Court of Appeals rendered a further decision on December 13, 1962; whereafter this Court again granted certiorari, No. 833, Oct. T. 1962.

When the instant case was before this Court in 1960, as No. 21, Oct. T. 1960, a 656 page record was printed by the parties. This Court has already entered an order* permitting use of the earlier printed record in the instant hearing. This earlier printed record is fully available for use by the Court, and provides an adequate basis for a decision in this case; see *"Petition for Writ of Certiorari*

* Order entered April 1, 1963, No. 833, Oct. T. 1962.

for the United States Court of Appeals for the First Circuit and Motion For Leave to Use Record in 365 U.S. 336", Oct. T. 1962, page 1, wherein Petitioners, in moving for leave to use the earlier printed record, stated:

> "The questions presented in the instant petition relate largely to circumstances established by the record in 365 U.S. 336."

Nevertheless, Petitioners have now designated certain additional materials which Petitioners admit were not previously of record; and Petitioners ask that this Court review the latest decision below on the basis of the "supplemented" record. Thus, Petitioners' question 4, *Petition for Writ of Certiorari, etc.*, No. 833, Oct. T. 1962 states, *inter alia*, that the Court of Appeals below erred in ruling against Petitioners

> "'• • • when the record was supplemented by material not in the record on the prior appeal • • •'"

Petitioners' question 7 involves subject matter similar to that contemplated in Petitioners' question 4.

The material listed in the instant motion, which Petitioners admit was "not in the record on the prior appeal", is still not in the record. Thus, listed items 1 through 4, *supra*, involve certain Requests for Admission 29, 33 and 58. This material was never offered in evidence; see Petitioners' complete offer in this respect at R. 263-4*. Listed item 1 through 4 are therefore not part of the record: see *United States* v. *City of Brookhaven, et al*, 134 F. 2d 442, 447 (CA.-5, 1943).

Items 5 through 10(c) listed above, comprise materials involved in an Accounting started in 1959, but never com-

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* The "R." designation refers to the 656 page printed record already accepted for use by this Court in the instant matter.

pleted. The Accounting was being conducted at the Boston offices of a private attorney, W. R. Hulbert, appointed as Special Master by the trial judge. When this Court granted certiorari in No. 21, Oct. T. 1960, the accounting was stayed. The material listed in items 5 through 10(c) was in attorney Hulbert's files at the time of the stay, and continuously remained in his files until March 20, 1962, at which time Attorney Hulbert, considering the incomplete accounting to be moot, delivered his accounting files to the Clerk of the District Court for appropriate disposition. This delivery of Mr. Hulbert's files on March 20, 1962, occurred on a date subsequent to entry of judgment by the District Court and even subsequent to the taking of appeals to the Court of Appeals by the parties hereto.

The accounting material in Mr. Hulbert's files (listed items 5 through 10(c)) was never part of the record presented to the District Court for consideration, and was not even in physical proximity to the trial court during any of its considerations. None of this accounting material is, therefore, of record; and none of it could have been properly transmitted as a part of the record on appeal below; *United States* v. *City of Brookhaven, supra;* see also *Durkin* v. *Lovknit Mfg. Co.*, 208 F. 2d 665, 667 (CA.-5, 1953).

In summary:

(a) There is a 656 page printed record now available for use by this Court.

(b) Petitioners agree that the questions now before the Court relate largely to circumstances established in this 656 page printed record.

(c) Petitioners seek to enlarge this printed record; and have expressly raised the issue of a "supplemented" record in their *Petition*, question 4 (and, by implication, in their question 7).

(d) Petitioners, in presenting the issue of a "supplemented" record, agree (*Petition*, question 4) that the new material was "not in the record on the prior appeal."

(e) The material listed in the instant motion is still not part of the record, was not offered in evidence before the trial court and, in many instances, was not even in the physical possession of the trial court.

For these reasons, it is urged that this Court declare that the listed material is not part of the record in this case; or that, in the alternative, before further proceedings herein, the matter be presented to the Court of Appeals below for a determination of the record upon which its decision below was based.

Respectfully submitted,

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